

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE BIG SANDY
WATER DISTRICT, A WATER DISTRICT
ORGANIZED PURSUANT TO CHAPTER 74
OF THE KENTUCKY REVISED STATUTES,
OF BOYD COUNTY, KENTUCKY, FOR (1)
A CERTIFICATE OF PUBLIC CONVEN-
IENCE AND NECESSITY, AUTHORIZING
AND PERMITTING SAID WATER DISTRICT
TO CONSTRUCT A NEW WATERWORKS
DISTRIBUTION SYSTEM, CONSISTING
OF A PUMPING STATION, TANK SITES,
AND THE NECESSARY DISTRIBUTION
SYSTEM AND LINES NEEDED TO SERVE
WATER TO SAID DISTRICT; (2)
APPROVAL OF THE PROPOSED PLAN OF
FINANCING OF SAID PROJECT; AND
(3) APPROVAL OF THE WATER RATES
PROPOSED TO BE CHARGED BY THE
DISTRICT TO CUSTOMERS OF THE
DISTRICT

CASE NO. 8197

O R D E R

The Big Sandy Water District ("Big Sandy") of Boyd County, Kentucky, by supplemental petition filed January 29, 1982, requested Commission approval of a project to extend its proposed water distribution system into Carter County, Kentucky.^{1/} Water service to about 160 homes and an elementary school located within the service area of the Leon-Hitchins Water District ("Leon-Hitchins") will be provided by this

^{1/} Construction of the initial distribution system and the proposed extension into Carter County will be done concurrently.

project. The approval of new water service rates is also sought by Big Sandy.

With no facilities for the providing of water service, Leon-Hitchins is a water utility in name only. Legal procedures now in process in both Carter and Boyd counties will result in the dissolution of Leon-Hitchins as a water district and the annexation of its service area by Big Sandy.^{2/}

By order entered October 15, 1981, this Commission approved Big Sandy's construction as then proposed. Thereafter, a contract for the purchase of potable water from the City of Kenova, West Virginia, was negotiated. Subsequently, in response to Big Sandy's amended petition, the order of October 15, 1981, was amended. The amended order entered February 4, 1982, deleted the water treatment plant and production wells from Big Sandy's proposed construction project.

The construction addressed herein and designated by Big Sandy as its "Phase II Project" will be financed with those funds formerly committed to the construction of the water treatment plant and production wells.

A copy of a letter from the Division of Water of the Department for Natural Resources and Environmental Protection approving the plans and specifications as prepared by Kenco

^{2/} Commission approval to proceed with the dissolution and annexation was granted by the order entered February 10, 1982, in Case Number 8396.

Associates, Inc., of Ashland, Kentucky, ("Engineer") is on file with this Commission.

A hearing was held on February 5, 1982, at the offices of the Commission in Frankfort, Kentucky. There were no intervenors, and no protests were entered. Certain requests for additional documents and information were made at the hearing, to which Big Sandy has responded.

The Commission, after consideration of the record and being advised, is of the opinion and finds that:

1. The public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. Big Sandy's proposed Phase II construction of storage and distribution system improvements includes a 137,000 gallon storage tank, a booster pump station, 47,800 feet of 8-inch pipe, 21,500 feet of 6-inch pipe, 140 feet of 4-inch pipe, 810 feet of 3-inch pipe, 187 service connections with 5/8-inch by 3/4-inch meters, a 2-inch metered connection, a 3-inch metered connection, and other miscellaneous improvements. The total of the low bids received February 25, 1982, for this construction was \$507,813 and can be financed within the scope of project financing that has been secured by Big Sandy.

3. Any deviations from the approved construction which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. Big Sandy's plan of financing for the total scope of its proposed construction in the amount of \$2,970,000 was approved by the order of this Commission entered October 15, 1981. An additional sum of \$32,000 has subsequently been realized from the accumulation of interest on deposits and connection fees from applicants for service. This has increased Big Sandy's total funds to about \$3,002,000.

5. Big Sandy's annual expenses for the first 5 years of operations after completion of all phases of its construction should average about \$139,000 including depreciation and coverage of long-term debt by a factor of 1.2.

6. The rates now proposed by Big Sandy should produce average annual revenues of about \$141,000 for the first 5 years of operations after completion of construction. This \$141,000 includes allowances for growth in revenues from the addition of customers and proportionate allocations from the \$25,000 initial operations and maintenance fund. These revenues should be adequate to allow for a marginal surplus after operating expenses are covered and the debt is serviced. The rates now proposed by Big Sandy should, therefore, be approved as the fair, just and reasonable rates for services to be provided by Big Sandy after completion of construction.

7. Finding paragraphs numbered 11, 12, 15, 18 and 19 in the order entered October 15, 1981, should be applicable to Big Sandy's Phase II construction the same as if fully written herein.

IT IS THEREFORE ORDERED that Big Sandy be and it hereby is granted a certificate of public convenience and necessity for its proposed Phase II construction as set forth in the contract plans, specifications and record in this case.

IT IS FURTHER ORDERED that any deviations from the approved construction which could adversely affect the service for any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that Big Sandy be and it hereby is authorized to finance its Phase II construction project with the funds formerly committed to the construction of a water treatment plant and production wells.

IT IS FURTHER ORDERED that the rates proposed by Big Sandy in Appendix A, attached hereto and made a part hereof, be and they hereby are fixed as the fair, just and reasonable rates of Big Sandy for service to be initiated after completion of construction.

IT IS FURTHER ORDERED that ordering paragraphs 8, 9, 10, 11, 12, 13, 14 and 15 of the order entered October 15, 1981, shall be applicable to Big Sandy's Phase II construction project the same as if fully written herein.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 22nd day of April, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Voh
Chairman

Katherine Randall
Vice Chairman

Jim Clancy
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC
SERVICE COMMISSION IN CASE NO. 8197
DATED APRIL 22, 1982

The following rates and charges are prescribed for water services rendered to all customers served by the Big Sandy Water District of Boyd County, Kentucky:

GALLONAGE BLOCKS FOR
EACH METER SIZE

MONTHLY RATE FOR EACH
GALLONAGE BLOCK

5/8 inch x 3/4 inch Meter

First 2,000 gallons
Next 8,000 gallons
Next 20,000 gallons
Next 20,000 gallons
Over 50,000 gallons

\$ 9.50 (Minimum Bill)
3.50 per 1,000 gallons
2.75 per 1,000 gallons
2.25 per 1,000 gallons
1.75 per 1,000 gallons

3/4 inch Meter

First 5,000 gallons
Next 5,000 gallons
Next 20,000 gallons
Next 20,000 gallons
Over 50,000 gallons

\$20.00 (Minimum Bill)
3.50 per 1,000 gallons
2.75 per 1,000 gallons
2.25 per 1,000 gallons
1.75 per 1,000 gallons

1 inch Meter

First 10,000 gallons
Next 20,000 gallons
Next 20,000 gallons
Over 50,000 gallons

\$37.50 (Minimum Bill)
2.75 per 1,000 gallons
2.25 per 1,000 gallons
1.75 per 1,000 gallons

1 1/2 inch Meter

First 30,000 gallons
Next 20,000 gallons
Over 50,000 gallons

\$92.50 (Minimum Bill)
2.25 per 1,000 gallons
1.75 per 1,000 gallons

2 inch Meter

First 50,000 gallons
Over 50,000 gallons

\$137.50 (Minimum Bill)
1.75 per 1,000 gallons

3 inch Meter

First 100,000 gallons
Over 100,000 gallons

\$225.00 (Minimum Bill)
1.75 per 1,000 gallons

4 inch Meter

First 200,000 gallons
Over 200,000 gallons

\$400.00 (Minimum Bill)
1.75 per 1,000 gallons

CHARGES FOR METERED SERVICE CONNECTIONS - The following charges shall become effective on and after the date that construction of the water mains is completed.

Meter Size

5/8 inch x 3/4 inch
3/4 inch
1 inch
Larger than 1 inch

Service Connection Charge

\$400
475
750
Actual cost of installation.